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SUBJECT: VIETNAM: PRIME MINISTER KHAI'S SPEECH TO THE
NATIONAL ASSEMBLY

1. (SBU) Summary and Comment: On October 25, the Ambassador attended Prime Minister Phan Van Khai's address at the opening of the Sixth Session of the National Assembly's Eleventh Legislature. The PM's lengthy speech focused largely on economic issues, outlining socio-economic targets for the upcoming year and calling for a breakthrough in the country's economic growth in 2005. PM Khai focused on the challenges ahead (speeding up growth, fighting corruption, WTO accession), but failed to mention human rights, religious freedom or HIV/AIDS. The legislature's session earlier this year was a lively one, with the body taking a number of government ministers to task for corruption and mismanagement. To what extent the National Assembly (NA) will continue to carve out a meaningful role for itself during this session will bear watching. End Summary and Comment.

2. (U) In his introductory remarks, PM Khai noted that 2005 would be the final year of the current five-year socio-economic development plan. He acknowledged that the four-year economic results are lower than planned, increasing pressure on the country to step up the pace in 2005 in order to meet the goals of the plan. He called for stronger GDP growth in 2005 as well as improvements in productivity and competitiveness of domestic enterprises and said that the GVN's efforts to make progress in these areas have not been adequate.

Ambitious GDP Target and Goals for 2005

3. (U) PM Khai stated that Vietnam's GDP is expected to grow 7.6 percent this year (0.4 percent below the planned target) and announced an ambitious target of 8 to 8.5 percent growth for 2005, well above the rates of the four previous years. The GVN's other stated goals for 2005 include boosting total social investment, capping consumer price index (CPI) growth at no more than ten percent, maintaining the current population growth rate (1.47 percent according to GVN statistics) and creating more jobs. (Note: According to numerous press reports, the goal for total social investment is VND300 trillion, or US\$19 billion, an increase of 17.7-19.5 percent from 2004. Creating 1.6 million more jobs would reduce the unemployment rate to 5.5 percent. End Note.)

Achieving the Goals

4. (U) PM Khai identified several actions the GVN must take to meet its economic goals for 2005. The GVN needs to improve the investment environment and enhance Vietnam's competitive edge, issue policies that will facilitate development in the private business sector and mobilize investment resources for socio-economic growth. The GVN must also speed up the equitisation of state-owned enterprises (SOEs), increasing the number of private enterprises from 150,000 to 500,000 by 2010. This will make private enterprise a strong source of economic development and job creation. The GVN must work to create stronger linkages between farmers and their domestic and export markets. PM Khai noted that achieving this goal would represent an important step toward rural and agricultural industrialization and modernization for Vietnam. He also called for Vietnam to develop policies and plans to encourage growth of the services sector, focus on boosting exports and accelerate the nation's international economic integration.

5. (U) Other themes of the speech included WTO accession and corruption. Vietnam should push hard to join the WTO, PM Khai said, but warned that this would bring challenges as well as benefits to the country. He urged GVN agencies to adjust their rules now to fit within WTO guidelines and Vietnamese businesses to improve their competitiveness. PM Khai blamed the slow development of public services such as education, healthcare, science and technology, culture and sports on the dominance of state-owned agencies in these fields. He also called on the NA to drive back widespread

government corruption. He stated that authorities at all levels must understand and fully implement NA resolutions and the Prime Minister's directive on the issue of complaints and denunciations. In his final comments, PM Khai expressed strong dissatisfaction with GVN failures such as delays in issuing documents which guide the implementation of laws and ordinances, lack of close monitoring of law enforcement and policy implementation and failure to reduce corruption.

16. (U) This session of the NA will continue until December 4, 2004. NA deputies are scheduled to spend six days discussing socioeconomic issues, seventeen days working through the legislative agenda, and another eleven days focusing on other important issues. The NA plans to pass six new laws: (1) the Law on Electricity; (2) the Law on Promulgation of Legal Instruments by People's Councils and People's Committees; (3) the Amended Law on Publications; (4) the Law on Protection and Development of Forests; (5) Law on National Security; and (6) the Law on Competition. Currently, there are nine draft laws scheduled for discussion during this session, including the Commercial Law (Amended) and the Civil Code (Amended).

17. (SBU) Comment: The Prime Minister's frank assessment of the GVN's shortcomings and tasks ahead was perhaps a nod to the NA's growing role in taking the Government to task for corruption and mismanagement. During this year's spring session, for example, legislators chided government ministers for policy and management failures -- all on live television. While the NA is far from an independent branch of government, it is also no longer a rubber stamp. How much autonomy the legislature will show during this session bears watching. We will report on the results of the session in December. End Comment.

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